



3rd September, 2024



Global equities are yet again at Crossroads. While equity markets are discounting a perfect 'Goldilocks' scenario for the foreseeable future, bond markets are expecting a US recession within the next few quarters. Most of such Equity-Bond market conflicts in the past have eventually been negative for equities. With PMIs and NFP data coming in this week, the inherent vulnerability of the Equity markets may get exposed. If the data is hawkish there could be a bond market sell-off which has negative implications for equities. On the other hand, dovish data may give fillip to the recession fears again causing an equity sell-off.

However, there is a narrow 'goldilocks' window for the data to land, which may actually be net positive for the equity markets. The probability of that is obviously significantly lower. An equity correction, if it materializes, will probably not be as deep as the correction in early August as the market is positioned somewhat modestly compared to that time. We do believe that a double digit correction in global equities may only happen by the first half of next year. Precious metals may continue to be sideways in the near term and long term Treasuries look extremely bullish from a medium term perspective.



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